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VENPOWER LIMITED

Annual Report

JUNE 30, 1972

VENPOWER LIMITED

P.O. BOX 53, TORONTO-DOMINION CENTRE, TORONTO, CANADA

Directors L. F. BARNETT - - - - - London, England
J. S. GAIRDNER - - - - - Oakville
J. H. HAWKE - - - - - Toronto
C. W. LEONARDI, C.A. - - - - - Oakville
W. J. R. PATON - - - - - Montreal
A. G. WILLIAMS - - - - - London, England

Officers J. H. HAWKE - - - - - Chairman
A. G. WILLIAMS - - - - - President
L. F. BARNETT - - - - - Executive Vice-President
C. W. LEONARDI, C.A. - - - - - Vice-President
GEORGE L. PLODER, C.A. - - - - - Treasurer
JOHN A. MULLIN, Q.C. - - - - - Secretary

Transfer Agent & Registrar CANADA PERMANENT TRUST COMPANY 1901 Yonge St., Toronto

Solicitors FRASER & BEATTY - - - - - 145 King St. West, Toronto

Auditors ERNST & ERNST - - - - - 7 King St. East, Toronto

Listing TORONTO STOCK EXCHANGE - - - - - Bay St., Toronto

Chairman's Report to the Shareholders of Venpower Limited:

Consolidated net earnings for the year ended June 30, 1972 was \$53,457 equivalent to 1.9¢ per share, compared to \$157,047 or 5.4¢ per share in 1971. The Company's operations were sold (December 11, 1971) in accordance with the agreement approved by shareholders in May, 1971 and all proceeds have now been remitted. The subsidiary companies in Venezuela have been reduced to a nominal capital and will remain dormant unless used for new investment purposes. As a consequence of remitting all the surplus of the subsidiary companies, it was necessary to pay Venezuelan withholding taxes in the amount of \$131,342 which have been written off as an extraordinary expense. The funds are currently invested in short term bank deposits, so as to be available for investment in the European area should the shareholders approve the various matters detailed in the information circular.

As stated in a public release made in June of this year, it is the intention of the Company to invest in opportunities in the United Kingdom and the European Common Market area.

To effect this new purpose, the Company is establishing an office in London, England and has appointed Arthur G. Williams, 43, as Managing Director and Lawrence F. Barnett, 40, as Deputy Managing Director. Mr. Williams is a former RCA International vice president and a former vice president of ITT Europe. Mr. Barnett was the director of the Data Processing Division of Honeywell Information Systems for the U.K., South Africa and Australia. Both Messrs. Williams and Barnett received their formal education in the U.S., and both have over 10 years' business experience in the U.K. and Europe. They have entered into agreements to purchase a total of 100,000 treasury shares of the Company at \$1.20 per share and will be granted options and deferred purchase plans on a further 500,000 shares.

Atlantic Sugar Refineries Co. Limited will purchase, subject to the approval of its shareholders and of the shareholders of Venpower, 1,000,000 treasury shares of Venpower at \$1.29 per share.

Once approvals have been received from shareholders and the necessary regulatory bodies and all the above-mentioned shares have been purchased, the Company will have slightly in excess of five million dollars for its investment programme. Your directors are confident that with the resurgence of business in the European Common Market area, the opportunities for investing in growth industries will produce lasting benefits for the shareholders of this Company.

Submitted on behalf of the Board,

J. HOWARD HAWKE,
Chairman of the Board.

July 31, 1972.

To the Shareholders,
VENPOWER LIMITED.

We have examined the consolidated balance sheet of Venpower Limited and its subsidiaries as at June 30, 1972 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST,
Chartered Accountants

July 24, 1972.

VENPOWE

(Incorporated under the laws of the State of New York)

AND ITS WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

	1972	June 30, 1971
CURRENT ASSETS:		
Cash - - - - -	\$ 101,313	\$ 57,601
Short-term deposits - - - - -	2,747,606	845,055
Marketable securities—at cost (market value: 1972—\$746,735; 1971—\$200,000) - - -	783,235	200,000
Trade and sundry accounts receivable - - - - -	55,776	190,395
Inventory of supplies—at cost - - - - -	—	102,339
Prepaid expenses - - - - -	—	2,422
	<hr/>	<hr/>
	3,687,930	1,397,812
FIXED ASSETS:		
At cost:		
Land - - - - -	—	56,121
Buildings - - - - -	—	590,091
Equipment and line facilities - - - - -	—	4,962,407
	<hr/>	<hr/>
	—	5,608,619
Less allowances for depreciation - - - - -	—	3,445,633
	<hr/>	<hr/>
	—	2,162,986
ORGANIZATION AND FINANCING EXPENSES - - - - -	—	162,170
	<hr/>	<hr/>
	\$3,687,930	\$3,722,968

APPROVED ON BEHALF OF THE BOARD:

J. H. HAWKE, Director

C. W. LEONARDI, Director

The accompanying notes are an integral part of the financial statements.

LIMITED

Laws of Canada)

SUBSIDIARY COMPANIES

ALANCE SHEET

LIABILITIES

	1972	June 30, 1971
CURRENT LIABILITIES		
Accounts payable - - - - -	\$ 3,423	\$ 74,316
Foreign income taxes - - - - -	76,888	19,912
	<hr/> 80,311	<hr/> 94,228
OTHER LIABILITIES		
Unrealized foreign exchange - - - - -	—	8,224
Employees severance indemnities - - - - -	—	66,354
	<hr/> —	<hr/> 74,578
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized:		
5,000,000 shares without par value		
Issued and fully paid:		
2,885,511 shares - - - - -	2,848,070	2,848,070
Retained earnings - - - - -	759,549	706,092
	<hr/> 3,607,619	<hr/> 3,554,162
	<hr/>	<hr/>
	<hr/> \$3,687,930	<hr/> \$3,722,968

VENPOWER LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

		Year ended June 30,	
		1972	1971
Revenue:			
Sale of power - - - - -	\$	414,716	\$1,082,240
Miscellaneous - - - - -		170,235	76,333
		<u>584,951</u>	<u>1,158,573</u>
Expenses:			
Operating and administrative - - - - -		285,303	482,350
Provision for depreciation - - - - -		157,962	387,860
Legal fees - - - - -		8,859	12,937
		<u>452,124</u>	<u>883,147</u>
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM - - - - -		132,827	275,426
Income taxes (including \$23,000 of deferred taxes) - - - - -		42,614	71,799
EARNINGS BEFORE EXTRAORDINARY ITEM - - - - -		90,213	203,627
Extraordinary item, less applicable income taxes—Note D - - - - -		36,756	46,580
NET EARNINGS FOR THE YEAR - - - - -	\$	<u>53,457</u>	<u>\$ 157,047</u>
Basic Earnings Per Common Share			
Before extraordinary item - - - - -		3.1¢	7.1¢
Net earnings for the year - - - - -		1.9	5.4

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

		Year ended June 30,	
		1972	1971
Retained earnings at July 1 - - - - -	\$	706,092	\$ 549,045
Net earnings for the year - - - - -		53,457	157,047
RETAINED EARNINGS AT JUNE 30 - - - - -	\$	<u>759,549</u>	<u>\$ 706,092</u>

The accompanying notes are an integral part of the financial statements.

VENPOWER LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

		Year ended June 30,	
		1972	1971
SOURCE OF FUNDS:			
From operations:			
Net earnings for the year	- - - - -	\$ 53,457	\$ 157,047
Provision for depreciation	- - - - -	157,962	387,860
Organization and financing expenses	- - - - -	162,170	—
(Profit) loss on disposal of fixed assets	- - - - -	(401,881)	18,386
		(28,292)	563,293
Proceeds from disposal of fixed assets	- - - - -	2,407,206	—
		2,378,914	563,293
APPLICATION OF FUNDS:			
Decrease in unrealized foreign exchange	- - - - -	8,224	20,461
Decrease (increase) in employees severance indemnities	- - - - -	66,354	(8,469)
Additions to fixed assets	- - - - -	300	16,313
Organization and financing expenses deferred	- - - - -	—	12,716
		74,878	41,021
INCREASE IN WORKING CAPITAL	- - - - -	2,304,036	522,272
Working capital, July 1	- - - - -	1,303,584	781,312
		WORKING CAPITAL, JUNE 30	\$1,303,584

The accompanying notes are an integral part of the financial statements.

VENPOWER LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1972

NOTE A.

Excepting certain financial and administrative functions, the business of the Company and its wholly-owned subsidiaries, C. A. Fuerza Electrica and C. A. Electricidad de Cantaura, were carried on in the Republic of Venezuela.

Conversion to Canadian dollars of assets and liabilities and revenues and expenditures originating in currencies other than United States dollars has been made at the official rate of exchange (which approximated quoted rates). United States dollars have been converted at par.

NOTE B.

On December 1st, 1971, the fixed assets, equipment and inventory of the subsidiaries were sold to an agency of the Government of Venezuela for cash amounting to Bs. 11,002,838 (\$2,506,341).

NOTE C.

The Company has repatriated the subsidiaries' capital and retained earnings which resulted in a withholding tax charge totalling \$131,342 which is shown as an extraordinary item. (See Note D.)

NOTE D.

Extraordinary item:

Organization and financing expenses written off	-	--	\$	162,170	
Withholding taxes paid	-	-	-	-	131,342
Loss on foreign exchange realization	-	-	-	-	41,393
					<u>\$ 334,905</u>
Less:					
Profit on sale of fixed assets, equipment, and inventory of the wholly-owned subsidiaries	-			401,881	
Applicable income taxes (\$22,563) and expenses of sale	-	-	-	-	126,732
					<u>275,149</u>
Add:					
Deferred taxes recoverable due to the application of loss carry-forward	-	-	-	-	23,000
					<u>298,149</u>
EXTRAORDINARY ITEM	-	-	-	-	<u>\$ 36,756</u>

NOTE E.

Remuneration of Directors and Officers of Venpower Limited from all sources

	Directors of the Holding Company as a Group (6 directors, 4 of whom are also Officers)				Officers of the Holding Company as a Group (6 officers)			
	Received as Directors		Received as Officers		Received as Directors		Received as Officers	
Venpower Limited	1972	1971	1972	1971	1972	1971	1972	1971
	Nil	Nil	10,000	2,500	Nil	Nil	10,000	2,500
C. A. Fuerza Electrica	Nil	Nil	12,000	12,100	Nil	Nil	Nil	Nil
C. A. Electricidad de Cantaura	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

NOTE F.

Losses available for application against future taxable income are approximately as follows:

Year of Expiry	Amount
1973	\$ 97,000
1974	143,000
TOTAL	<u>\$240,000</u>

